Remarks by Dr. Barry Russell, System President, South Carolina Technical College System to the Governor's Higher Education Task Force

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The South Carolina Technical College System was created in the early 1960s with the express purpose of supporting economic development, and that mission remains today. Through the 1960s and 1970s, the System grew to one of 16 institutions geographically dispersed across the State. In addition to the colleges, a critical component of system formation was the Center for Accelerated Technology Training (CATT), previously known as Special Schools. CATT is a workforce development mechanism promoted by the Department of Commerce and local and regional economic development entities to serve as an incentive for companies to locate in South Carolina. It is a program centralized in the Technical College System Office to develop and implement customized start-up training programs for companies new to South Carolina. CATT was unique to South Carolina and has been the model for similar programs nationwide.

In recent years, several reports have cited technical colleges as central to developing a knowledge-economy workforce. Those publications include CHE's *Foundations of the Future*, the economic report developed by the Palmetto Institute, and the Porter Study commissioned by the Council on Competitiveness.

In addition, *Pathways to Prosperity*, the foundational report behind the Education and Economic Development Act, noted that 65% of jobs in the new economy require an associate degree or advanced technical training, exactly the education provided by technical colleges, and 85% of jobs require some form of higher education. Now, more than ever, access to higher education is paramount for individual advancement and economic growth in South Carolina.

Access is the first of three topics I would like to discuss today. I intend to follow with information about our governance structure and conclude with the overall impact of the System.

Access

South Carolina's technical colleges have been and will continue to be portals to higher education. Consider the following:

- From 1995-2005, 70% of public undergraduate enrollment growth in South Carolina occurred in the technical colleges;

- Currently, technical colleges serve nearly 250,000 people per year through credit enrollment and continuing education;
- Fifty percent of all new freshmen attending public postsecondary education in South Carolina attend technical colleges;
- Approximately half of undergraduates in public higher education attend technical colleges;
- The three largest technical colleges have the 3rd, 4th, and 5th largest undergraduate headcount enrollments in South Carolina;
- At a time when state revenue to technical colleges has fallen approximately 17% from 2000-01 to the present year, the technical colleges increased FTE enrollment by 24%.

The Technical College System is often questioned on how we do more with less. The following are just a few ways our colleges have accommodated growth in a time of declining state revenues:

- Tuition adjustments have occurred in line with caps established by the State Board for Technical and Comprehensive Education (State Board);
- Students have used Lottery Tuition Assistance (LTA) to support their tuition expenses and offset tuition increases – LTA has proven critical to continuing to provide widespread access;
- Colleges increased the percentage of courses taught by adjunct faculty – we have attempted to do this modestly to sustain our commitment to quality;
- Increased efficiencies – there has been very close management of class size in some cases.

It should be noted that not all accommodations benefit students, but at least in the short term it is necessary to take action to ensure access.

Governance

The Technical College System has a governance structure that represents a hybrid system including statewide oversight and local control. Each of the 16 colleges has its own Area Commission appointed by the Governor upon the recommendation of local legislative delegations. The Area Commissions operate under the State Board for Technical and Comprehensive Education, which is also appointed by the Governor. The State Board has the

following primary responsibilities: setting policies and tuition caps, approving new programs, approving facilities projects, and approving economic/workforce development projects through CATT. Our local colleges are autonomous provided they conform to State Board oversight.

South Carolina's hybrid governance structure is merely one model. You could look to Virginia or Kentucky to see a more centralized structure where local presidents report to a state president. On the other end of the governance spectrum, Wisconsin and Texas have no centralized system and their local boards are often elected and have taxing authority. The balance between local control and statewide oversight in South Carolina allows for a statewide response, while ensuring flexibility to serve local communities. Ours is a model that works, but we are not without challenges.

From the institutional perspective, each college must incur three formal levels of governance: the Area Commission, the State Board, and the Commission on Higher Education. From the systemwide perspective, we have an additional challenge with a current breakdown in the funding system. Recent reductions in state revenue coupled with enrollment increases have created a dilemma. Since the State does not fund enrollment growth, the current conditions have created competition for funding among the colleges. The only method for a college to increase state funds is to gain a greater proportion of the funds appropriated to the technical colleges by increasing enrollment. The ensuing chase for FTEs results in a further decline in per-FTE funding.

Understanding these financial conditions, colleges must balance state revenue, tuition, local funds, and other sources. In 2000-01, state funding accounted for 55% of total institutional funding and tuition represented 33%. By 2004-05 those numbers reversed; state funds accounted for 35% and tuition represented 53%.

The primary issue is reduced appropriations, but a contributing factor is the way enrollment is, or is not, funded. Based on my many years in North Carolina, their method for funding worked because it was recognized that FTEs must be funded first.

At this point, it is important to focus on how to fix the funding issue. The following is a highly simplified approach. First, our governing bodies, institutions, and elected officials must agree on what it costs to educate undergraduate students. The Mission Resource Requirement (MRR) may be the model, or we could use another. The next step would be for the General Assembly and others to determine what percentage of the cost the State should commit to

funding. Perhaps that number would be 55%, 60%, 65%, or some other number. Then, the State would commit to adjustments for enrollment increases and the Higher Education Price Index (HEPI). Finally, with all other revenue in place, institutions would be required to cap tuition increases according to the remaining percentage adjusted annually for HEPI.

Another issue discussed widely is campus proliferation. It is true that technical colleges have created additional sites in new locations around the State, and while I respect the Governor's interest in limiting new campuses, many of the students we serve especially in rural areas are not able to travel 30 miles or more each way to take classes. In many cases, this population would be lost without a technical college site. Please keep in mind that most of these new sites are not full-fledged campuses, they are places to offer classes. A good example is Midlands Technical College's new location in Batesburg-Leesville. The project was in response to years of discussion with that community to respond to local needs. The county is supporting the construction of a building with five or six classrooms to offer classes to western Lexington County. It could be argued that if all of those students could drive to one of the college's existing campuses, the institution would still need to compensate for that growth with additional space. Therefore, the college would incur the same costs.

Another piece of our governance system is accountability. Components of accountability include the three levels of government-mandated accountability discussed previously, accreditation by the Southern Association of Colleges and Schools, national accreditation and certifications for many of our career program areas, performance funding, Baldrige reporting, and the direct accountability to businesses that expect our graduates to arrive highly skilled – in many ways our education is market driven by South Carolina's businesses.

As a benefit of our unique governance structure, our colleges respond to critical issues not just as a sector but as a system. An example is working through the implementation of the Education and Economic Development Act and our efforts to work with school districts statewide. We also use the system approach when communicating our priorities with the General Assembly. This year, our allied health initiative centered on increasing capacity in the health education field statewide. We were fortunate that the initiative was fully funded to address the needs of health care providers across South Carolina.

Impact

The impact of our system can be measured in two primary ways. First is the impact on the lives of individuals, and second is the impact on the State's economy.

By accommodating enrollment growth, technical colleges provide opportunities for people to live productive lives. A recent economic impact study showed that the earning power of an associate degree graduate is approximately $11,000 more per year than someone with a high school diploma. The increase in individual income also has an impact on per capita income, which leads to the second impact – impact on the economy.

Only 3% of technical college students are non-residents, and the vast majority of technical college students employed after graduation work not only in South Carolina, but within their college's service area. Based on Employment Security Commission data, 7 of the 16 technical colleges report the graduate employment rate in their service areas at over 90%. There is no doubt that the technical colleges have a huge impact on state and local economies in South Carolina. In addition, the System's economic impact study showed that every dollar the State invests in the technical colleges yields a $12.10 return.

With a significant impact on the economy we continually review our role in economic development, which is at the core of our mission. Back in the 1960s and 1970s we supported the low-cost, low-skill strategy, when the State basically said to locating companies that if you come to South Carolina, we will have a workforce for you in just a few weeks. Now, other countries are beating us at that game.

However, the art of attracting business investment in South Carolina is still a viable economic development strategy, as seen with BMW in the Upstate and Vought-Alenia in the Lowcountry. The technical colleges and CATT provide what businesses cannot, a skilled workforce. These global companies can bring or recruit engineers from anywhere in the world, but the workforce of highly skilled technicians must be in place in order to attract businesses.

The other economic development model is growing the economy through innovation as described by Michael Porter for the Competitiveness Initiative. People are key, not just for research innovation, but also commercialization. We are strong supporters of the universities' efforts, and they are absolutely correct that research and innovation are critical to South Carolina's long-term competitiveness. However, the only caution we have is that even with the

greatest innovation at a research university, South Carolina will not reap the full benefits if that innovation is not commercialized in the State.

What will stop that innovation from going overseas to China or India? – A highly skilled workforce that makes commercialization in the United States more productive than overseas. Otherwise, we are investing in an export strategy – we will export our intellectual capital along with all of the potential of seeing new jobs.

I am pleased to report that the Technical College System has a very good relationship with the research universities, and we recognize that the missions of the research universities and technical colleges are highly complementary.

Conclusion

In conclusion, I would like to reemphasize three key points: (1) as institutions of access, we are the fastest growing sector of higher education in the State; (2) technical colleges have a governance structure that works; (3) technical colleges had a tremendous impact on South Carolina's economy in the 1960s and in the decades following, but we will have our greatest impact on economic development in the years to come.

Thank you for the opportunity to participate today.